

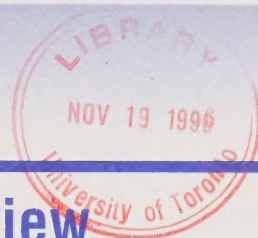
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PENSION NEWS



Teachers' Pension Plan Board
Conseil du régime de retraite des enseignantes et des enseignants

Issue 13
Fall 1996



What's Happening With Pension Review

Program summary

The pension review program involves checking the accuracy of over 50,000 pensions. Here's a quick review of what we did in the first phase:

- ✓ sent letter to all members in early December, 1995 informing them of the program
- ✓ sent over 12,000 personalized pension statements to some pensioners in mid-December, 1995—2,900 received retroactive payments and pension improvements

Reminder

Approximately two-thirds of pensions will remain unchanged and no pensions will be decreased as a result of this program.

Any applicable retroactive payments will be sent shortly after. If your pension was verified in the first phase of the program, you will not be contacted.

Accuracy has always been the number-one priority of this program. Our goal is to have more than 80% of pensions verified by the end of the year.

Final phase in 1997

Those pensions not verified in phase two involve unusual and complicated situations which take more time to complete.

Why has it taken so long for the next phase?

Since last year's announcement, we have continued verifying data for the remaining pensions. Ensuring all recalculations are accurate is an enormous and time-consuming challenge.

To prepare for phase two of the program, we've had to do the following:

- ✓ verify over 5 million documents;
- ✓ identify, program and test over 1,500 unique combinations of plan rules from past and present legislation; and
- ✓ review 10 million monthly pension payments over the last 20 years and correct where necessary.

Phase two

If your pension wasn't verified in phase one, you will be contacted by the end of the year.

If you're not part of phase two, you will receive a letter confirming you will be a part of our next, and final, phase. Everyone in this phase will be contacted with pension verifications in 1997.

What's Inside...

- ✎ Our views on social investing, page 2
- ✎ Your pension increase for 1997 is the same as it was last year, page 3
- ✎ Reviewing how CPP affects your pension, pages 4 and 5
- ✎ Thinking about teaching after retirement?, page 6
- ✎ What you need to know about the proposed Seniors Benefit, for now, page 7

Social Causes And Pension Investments

Legal and practical reasons why ethical screens are not viable for pension plan investments

You won't find companies that make beer, wine, spirits and tobacco in the personal investment portfolio of Robert Bertram. "It's not that these companies haven't provided a good return on investment," explains Bertram, "but they manufacture products my wife and I have chosen not to invest in for personal reasons."

Bertram is also the senior vice-president of investments for the Teachers' Pension Plan. He earns his living making investment decisions that maximize the fund's financial performance to secure the pensions of all teachers.

In his professional role, he manages a \$42 billion fund on behalf of 300,000 teachers, former teachers and survivors. The Teachers' Pension Plan owns shares in virtually every company that trades on the Toronto Stock Exchange, including companies like Molson, Seagram and Vincor.

If you want to take action, reflect your views in your personal investments

As an individual investor, Bertram selects investments that are right for his family. As a professional investor, he manages investments on behalf of others for their benefit.

Matters ranging from the environment and disarmament, to animal rights and labour practices are important to teachers in Ontario.

These issues appeal to our hearts and conscience. In the context of today's society, where

quality of life is as important as economic development, they appear to make eminent sense. But using social causes or screens to direct the investments of the Teachers' \$42 billion fund is not viable. Here are two reasons why.

Pension plan entrusted to provide retirement income

The Teachers' Pension Plan is charged with investing money and managing property that collectively belongs to you and hundreds of thousands of other teachers—and all the potential beneficiaries of the plan. We must, by law, invest to achieve investment returns for all plan beneficiaries.

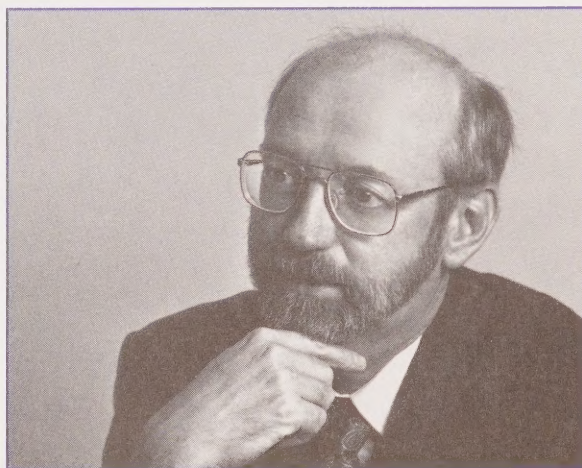
The law on fiduciary responsibility is inflexible in this regard. We are required by common law and Ontario's *Pension Benefits Act* (PBA) to meet very high standards of ethical investment behavior.

Under the PBA, we are required to manage the fund in a prudent and diligent manner to produce investment returns, and thus to supply the retirement income promised to plan members.

By common law, we are obliged to follow an investment policy that maximizes the fund's assets and financial performance for all the beneficiaries of the fund. To do less would be a breach of trust.

Social causes too subjective

To its advocates, social investment means that companies should not be judged solely



Robert Bertram: Investing to secure future benefits for all 300,000 members.

on the basis of return. Rather, there are factors of social behavior that need to be monitored, measured and evaluated. But how?

The range of issues or concerns embraced by the term social investment covers virtually anything that anyone might be concerned about.

There is no accurate or necessarily fair way to measure and interpret so much divergent data. In the end, you have to make a subjective judgment call. This isn't easy to do, unless your views on investment are driven by ideology. Decisions based on ideology undermine the primary purpose of pension plans—to optimize investment returns to provide retirement income.

Teachers' responsible investors with clear goal

"I want to stress, the Teachers' Pension Plan is a socially responsible investor all the time," says an emphatic Claude Lamoureux, president and CEO of the Teachers' Pension Plan.

"We do not invest in companies that break the laws of Canada with respect to such matters as the environment, minority rights, labour practices, or any other standard of acceptable behaviour established by the legislatures and courts of Canada. Nor do we invest in companies for political or ideological reasons."

Social investment is a complex issue with a simple and clear legal obstacle to its adoption. It makes sense for all of us, as individuals, to promote behavior that demonstrates respect for the environment, respect for the dignity of all living things, and respect for the rights and denied progress of groups that constitute our diverse society.

We must also recognize that your pension plan exists to achieve one paramount goal—to provide its members with the pension they deserve and expect for the income they have foregone over their working years.

Increase Same As 1996

Your annual pension increase, starting in January 1997, will be 1.6% (the same as last year). The increase is based on the Consumer Price Index (CPI) over a 24-month period.



1.6%


Your inflation adjustment statement, sent to you with your T4A in January, will show your new pension amount based on this increase.

Prorated for 1996 retirees

If you retired this year, your increase will be prorated depending on the number of months since you retired. For example, if you retired June 30, your adjustment starting in January 1997 will be 0.8%.

Reminder

Attention Snowbirds



Since November 1995, you've been able to receive your pension in a foreign currency if you spend your retirement in another country.

By receiving your pension cheque in a foreign currency, you'll save bank charges, currency transaction fees and collection charges.

We now have 180 pensioners receiving foreign cheques. The majority of these are paid in U.S. currency, but we've also sent foreign cheques to Great Britain, Australia, Germany, France, Ireland, Italy and New Zealand.

How to sign up

Simply contact us for authorization. If you travel back and forth to another country during the year (e.g. snowbirds who live outside Canada in winter months), you can return to having your cheque deposited directly in your bank account once you return to Canada. All you have to do is contact us in writing and send us a void cheque.

Canada Pension Plan And Your Teachers' Pension

The future of the Canada Pension Plan (CPP) has developed into a popular news item since we last talked about it in *Pension News*. As someone who is currently receiving CPP or will be soon, you've probably been wondering how proposed reforms will affect you.

No guarantees

There has been a lot of speculation about what reforms will be made since finance ministers agreed changes were needed. In addition to possible contribution and benefit changes, finance ministers agree the CPP fund should be invested differently. Currently, it is only invested in government bonds.

Our fund was in a similar investment position until 1990. Since we've been able to invest in the open market, the fund has grown substantially. Some believe the CPP fund could be handled the same way.

No news yet

October 4 was supposed to be a big day for CPP reform—finance ministers were hoping to finalize changes for implementation in January, 1997. However, no final agreement was reached and dates for future discussions were

uncertain at press time.

Therefore, let's review the relationship between the CPP and TPP as it currently exists.

Integrated plans

The TPP is integrated with the CPP. Therefore, while you were teaching, you contributed less to the TPP for salary covered by CPP. Now that you're retired, you're receiving a pension from TPP and are receiving, or will receive, a pension from CPP.

Early CPP

You can choose to begin receiving your CPP pension as early as age 60 or as late as age 70. Deciding when to take it is a personal decision. Three important questions you must ask yourself when making the decision are:

- how long do I expect to live?
- when do I want most of my retirement income?
- what are the tax implications?

If you decide to take CPP early, the amount will be reduced by 6% per year. For example, if your CPP pension at age 65 would be \$6,000

What's the difference?

A. Mary retired at 61 and decides to wait until age 65 to collect her CPP pension.

	61	65
TPP Pension	\$36,000	\$36,000
CPP Reduction		(\$7,329)
CPP Pension	—	\$ 8,725
OAS (1996)	—	\$ 4,737
Total	\$36,000	\$42,133

B. Mary retired at 61 and decides to take her CPP pension at that time.

	61	65
TPP Pension	\$36,000	\$36,000
CPP Reduction		(\$7,329)
CPP Pension	\$ 6,631	\$ 6,631
OAS (1996)	—	\$ 4,737
Total	\$42,631	\$40,039

These examples are based on 30 years of credit and \$60,000 average salary. Mary qualifies for the maximum CPP benefits. The amounts above are in current dollars and have not been adjusted for inflation.

and you chose to take it at age 60, your annual CPP pension would be reduced to \$4,200 ($\$6,000 \times .70$).

There is a condition for taking CPP early. You cannot be earning, through employment, more than the CPP maximum benefit when you apply. For example, if you decide to teach after retirement, you may earn more than the maximum amount. However, once you begin

pensions, you will begin receiving Old Age Security (OAS) at age 65. If you take CPP early, however, the combined amount will be slightly lower than if you had waited until 65.

Other things to consider

- If you are currently receiving a disability pension from CPP, your TPP pension was reduced immediately.

	Teachers' Pension	Canada Pension	Old Age Security
To age 59	Unreduced with 90 factor—pension is for life. To age 65, your pension equals $2\% \times \text{credit} \times \text{best-5 years' salary}$. At 65, your TPP pension is reduced for CPP.	not available	not available
At age 60		Eligible for a CPP pension (reduced by 30%) OR	not available
At age 65 and older	TPP pension is reduced for CPP integration—the reduction is about the amount of your unreduced CPP pension	Eligible for an unreduced CPP pension (if not collecting a reduced CPP pension) 1996 annual maximum: \$8,725	Eligible to begin collecting OAS—current annual amount: \$4,737 (clawback begins with annual income of more than \$53,215)

receiving CPP, you can exceed this level. In 1996, the CPP maximum benefit is approximately \$8,725.

TPP reduced at 65


Your TPP pension is reduced at age 65 regardless of when you take CPP. Since the reduction amount is based on your credited service in the plan, we calculated the reduction when you retired and included it on your pension statement.

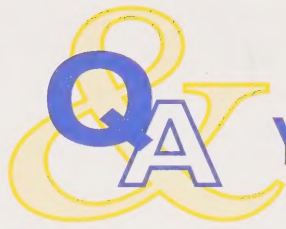
You do not have to contact us—we will automatically adjust your pension. The month following you're 65th birthday your net pension amount from us will be lower.

Even though the amount you receive from us will be lower, your total retirement income from all sources will generally make up the difference. In addition to your TPP and CPP

- If you take CPP early and exceed the maximum benefit level, you may put yourself in a higher tax bracket.
- If you decide to wait until age 65 to take CPP, you'll receive more if you live past age 75 than if you had taken it at age 60.
- If you live into your 80s or 90s, you may receive less money over your lifetime if you take CPP early.

Applying for CPP

Once you've made your decision, you must apply to receive CPP. Contact your local office of Human Resources Development Canada for estimates of your reduced and unreduced pensions, as well as instructions on how to apply once you've decided to receive CPP. 



You Asked Us

Q. *I retired a couple of years ago but miss teaching. If I supply teach, can I still receive my pension?*

A. Platsko, Hamilton

A. Yes. However, there are a number of guidelines you should keep in mind if you become re-employed in education (aka teach after retirement).

Exceeding limits

If you exceed the 95 or 20-day limits, your pension will stop at the end of the month following your 96th or 21st day of re-employment. In addition, your employer will begin deducting contributions.

Limits

- 95 days per school year for three years (they do not have to be consecutive)
- 20 days per school year after you have used the three year 95-day limit
- Unlimited if you're 71 years of age or older

Once you stop employment for that school year, you must notify us and we'll restart your pension (at the end of the month following the month you stop).

Who to contact

Employer—when you begin teaching and if you exceed your limit

Pension board (us)—when you begin teaching, if you exceed your limit and when you stop teaching

If you return to teaching, tell your employer you are a retired teacher and not to deduct contributions. However, if you plan to teach a full year, you should ask your employer to deduct contributions immediately. Your pension will then be recalculated under the rules in effect at the time (may increase or decrease your pension depending on when you retired).

If you end up teaching less than a full school year, your contributions will be refunded and your pension will resume at its previous rate.

Disability pensions

You can't return to teaching and receive a disability pension at the same time. If you return to teaching, your pension will stop.

Early CPP

There's a limit on the amount you can earn if you return to teaching. If you've taken your CPP pension early and exceed the limits set by CPP, you may have to pay more taxes.

Want more details?

Call and ask for a copy of the booklet
Teaching After Retirement.

Reminder

Medical Questions?

If you have any questions, problems or cancellations regarding your health coverage, please contact STO (Johnson Insurance) or OTIP directly. We deduct medical premiums for these two organizations but do not process claims or change benefits.

Johnson Insurance Toll-free 1-800-461-4597
(for STO) Toronto (905) 764-4884

OTIP Toll-free 1-800-265-6107
Waterloo (519) 884-1390

Will The Proposed Seniors Benefit Affect Me?



Over the past few years, much has been written about the aging of our population and the strain this will have on our public pension program. Statistics Canada has stated that by the year 2030, the number of seniors in Canada will more than double.

To deal with this reality, two of the cornerstones of government support for retirement income are being revamped—Old Age Security and the Canada Pension Plan.

Though final plans for CPP have not been determined (see *Canada Pension Plan and Your Teachers' Pension*, pages 4 and 5), the federal government announced their plans for Old Age Security earlier this year.

Review

Last March, Finance Minister Paul Martin released the federal budget. Contained in this budget was a proposal, called the Seniors Benefit, to replace Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). The new benefit is scheduled to begin in the year 2001.

Who's affected

If you're currently 65 or over, the changes will not affect you or your spouse. However, you may choose to receive the new benefit if you wish. You're guaranteed to receive at least what you're receiving now.

If you were 60 or over on December 31, 1995, you and your spouse will also be able to maintain the status quo, unless you prefer to receive the new benefit when you turn 65.

All other Canadians will receive the Seniors Benefit when they turn 65.

Basic numbers

The new benefit will be based on single seniors' and couples' total income and applied the following way:

- \$40,000 or less—most will receive the same; many will receive higher benefits
- \$40,000 – \$45,000—some will receive higher benefits, some lower, depending on their exact tax situation
- \$45,000 or more—will generally receive lower benefits
- \$52,000 (single)/\$78,000 (couples) or more—will not receive any benefits

Still time

The Seniors Benefit hasn't been finalized yet. First, the government must introduce legislation to the House of Commons. Then the proposal will be subject to hearings by a

Parliamentary committee (at which time the public may comment and offer input).

In addition, it's important to remember there will be at least four more federal budgets, an election and the possibility of a new government before the year 2001.

Therefore, it's very possible there will be changes to the current proposal.

Helpful booklet available

The government has prepared a booklet outlining the new benefit. *The Seniors Benefit: Securing the Future* is available free of charge by calling (613) 995-2855 or by writing:

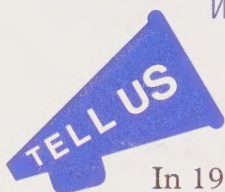
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Keep reading

We'll keep you up-to-date and let you know more of the details once they're approved.



Inspiring Retirement



We received a letter in June from an award-winning volunteer which we want to share with you.

In 1977, Anne Wyse of Ottawa was diagnosed with Lupus, a chronic, autoimmune, inflammatory disease. Lupus can affect any part of the body and if left untreated, can sometimes be fatal.

Anne was teaching at Merivale Public School at the time. Instead of suffering quietly with the disease, she chose to become involved.

Rewarding experience

After being diagnosed, Anne worked to form the Ottawa chapter of the Ontario Lupus Association (OLA)—she is now director of the Eastern Ontario region for the OLA which supports approximately 1,500 women with the disease. She volunteers about three hours a day, four or five days a week.

Anne was one of 23 Canadians honoured this year by Health Canada for their volunteer work. In June, she was presented with a Canada Volunteer Award. The award is given annually to Canadians who “have made outstanding voluntary contributions toward improving the health and social well-being of their fellow citizens.”

“Even though I’m quite humbled by these awards, I enjoy receiving them for my Lupus friends. Any attention I receive helps raise awareness of this painful disease.”

Despite suffering quite severely from the disease, she has worked hard to increase the awareness of Lupus and has been very compas-

**IF YOU HAVE an
interesting retirement story
please let us know.**

Anne
receiving
award from
Health
Minister
David
Dingwall.



sionate and helpful to others suffering from the disease. Anne participates in teaching and public information sessions, plans meetings and helps organize fund-raising events.

Congratulations Anne—you’re an inspiration to all hard-working volunteers.

Editor’s note:

When I called Anne to confirm some details for this article, she informed me of another honour she had just received. In October, which coincidentally was Lupus Awareness Month, she was one of 12 recipients of an Ontario Medal for Good Citizenship.

Pension News

Pension News is published for pensioners by the Communications Department of the Teachers’ Pension Plan Board.

If you have any comments or ideas, call me at (416) 730-5357 or write to:

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